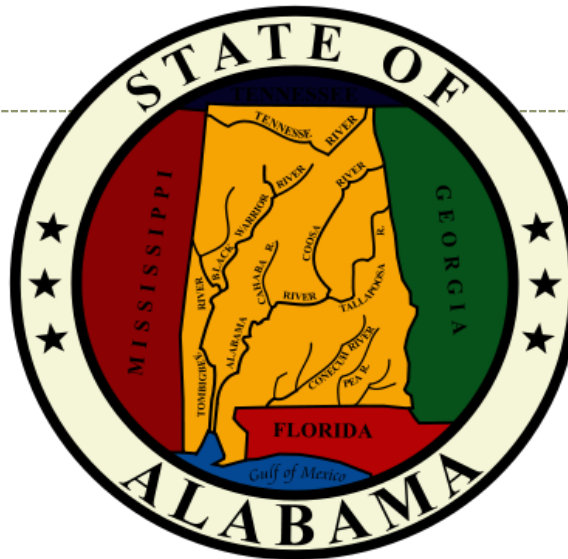


Presentation to the Legislature on Alabama's Financial Condition



**Joyce Bigbee, Director
Legislative Fiscal Office
February 8, 2011**

Legislative Fiscal Office Website

www.lfo.state.al.us



- **Budget Fact Book**
- **A Legislator's Guide to Alabama's Taxes**
- **Education Trust Fund & General Fund Comparison Sheets**
- **K-12 & Higher Education Handbooks**
- **Outline & Exhibits**

Budget Process



- By statute, the Permanent Joint Legislative Committee on Finances and Budgets is required to study the financial condition of the state, hold budget hearings, inquire into ways of financing state government and report its findings and recommendations
- Governor's Budget Recommendation is presented to the Legislature by the 2nd legislative day of the Regular Session
- Budgets go through the same legislative process as any general bill
 - Budget Isolation Resolution (BIR)
 - Conference Committee
 - Governor can sign, veto, send back to Legislature with executive amendment, or line-item veto

Revenue and Appropriation Structure of the State



- **Two State Appropriation Bills**
 - State General Fund
 - Education Trust Fund
- **Earmarking**
 - Alabama earmarks 84% of state revenue
 - National average is 24%
 - Earmarking can be general or specific
 - Earmarking can be statutory or constitutional

Appropriation of State Funds FY 2011



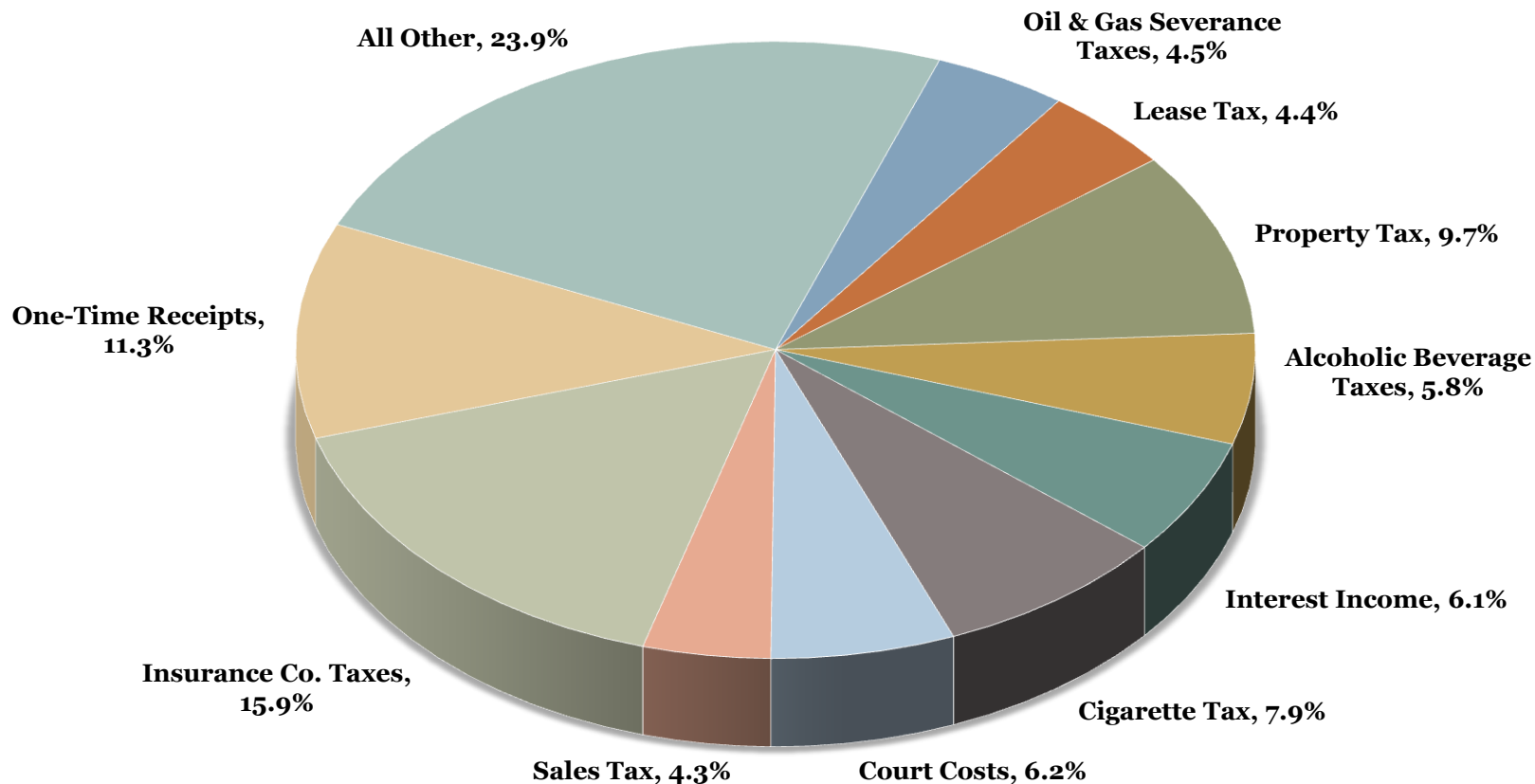
- **General Fund - \$1.6 billion**
- **Education Trust Fund - \$5.5 billion**
- **Other State Funds - \$2.9 billion**
- **Total All State Funds - \$10 billion**

State General Fund Appropriations

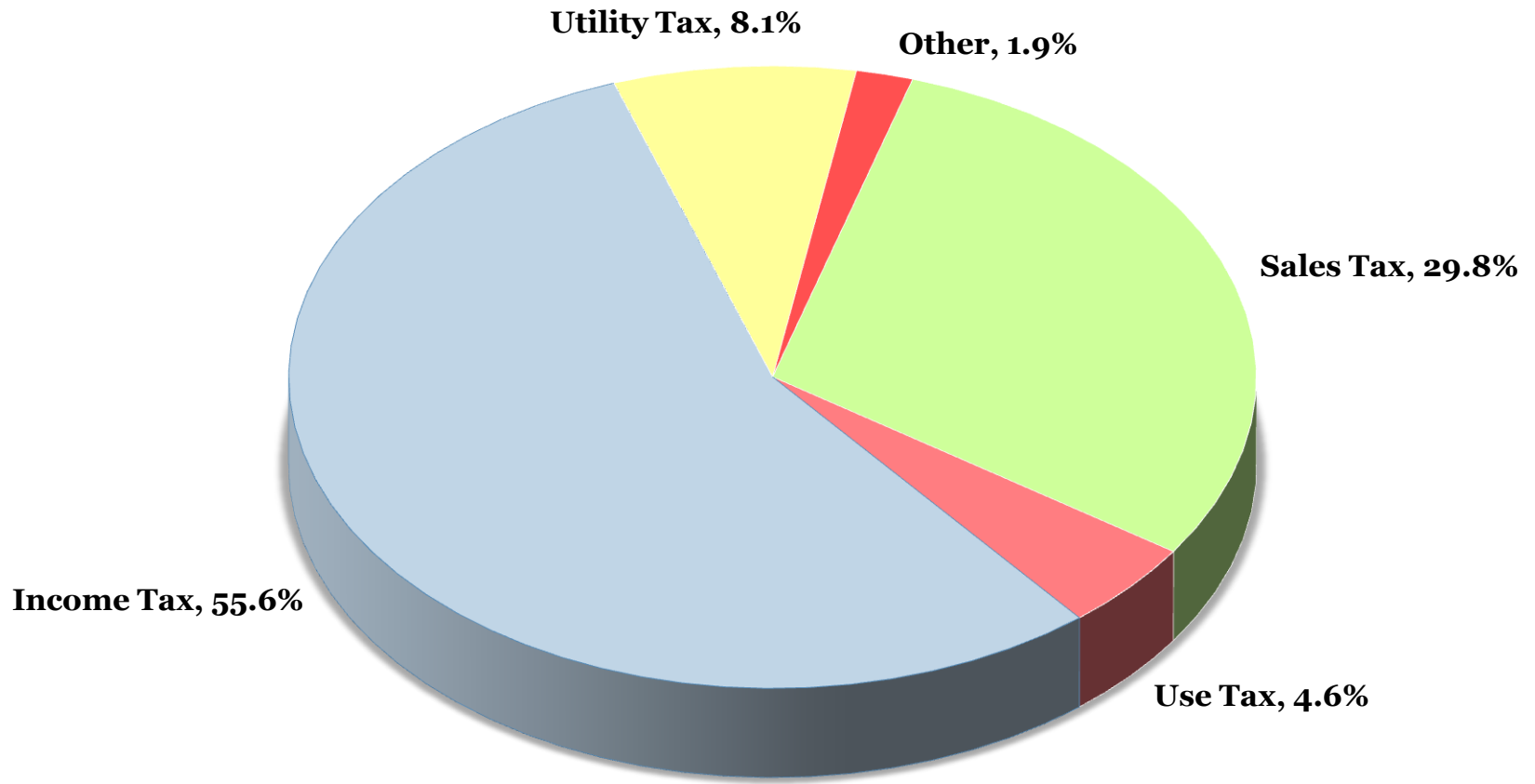


- **Medicaid**
 - Largest consumer of General Fund dollars
- **Corrections**
 - Second largest consumer of General Fund dollars
- **Corrections and Medicaid account for 42% of the total General Fund appropriations**

Sources of Revenue to the State General Fund FY 2010



Sources of Revenue to the Education Trust Fund FY 2010

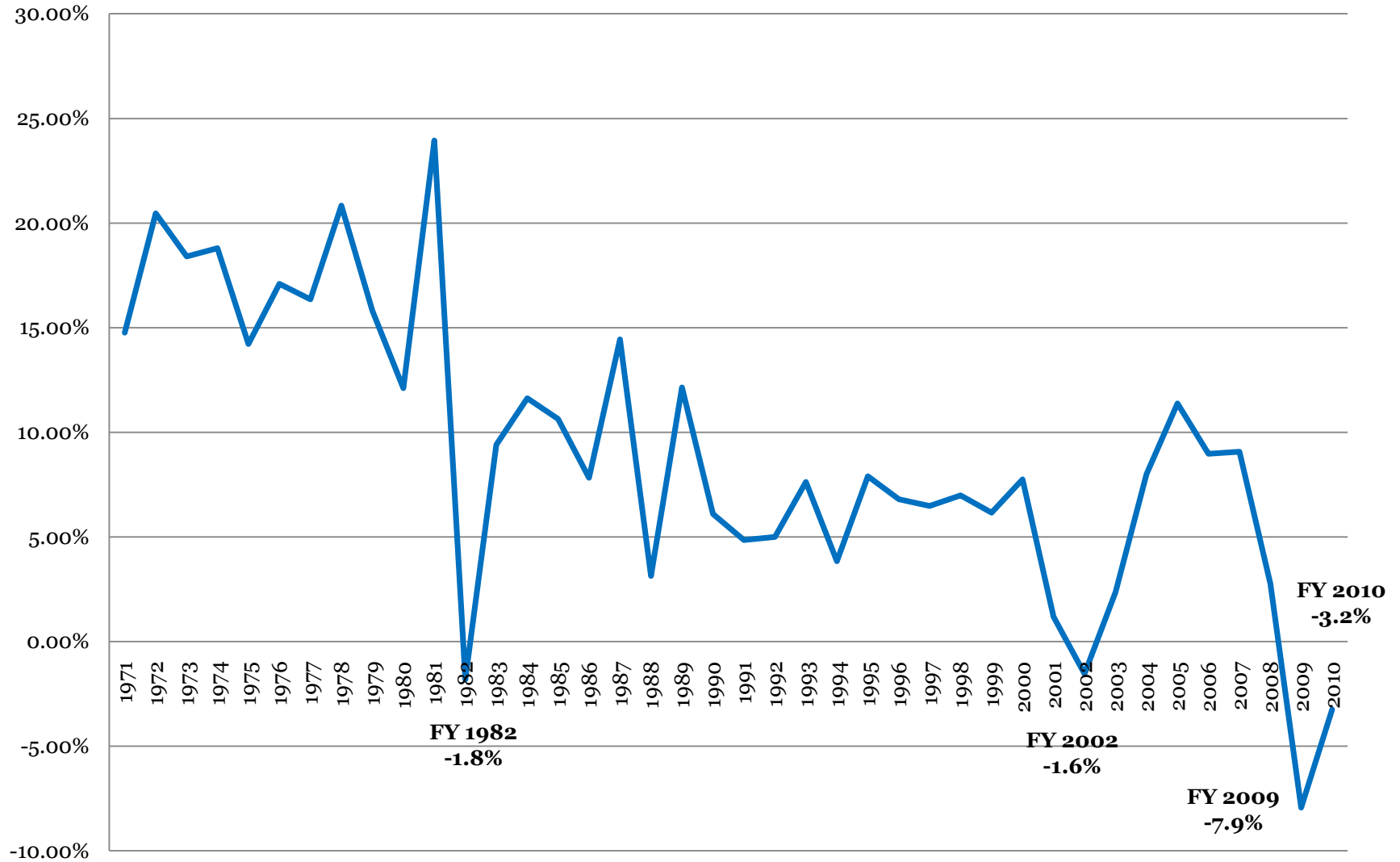


State of the Economy



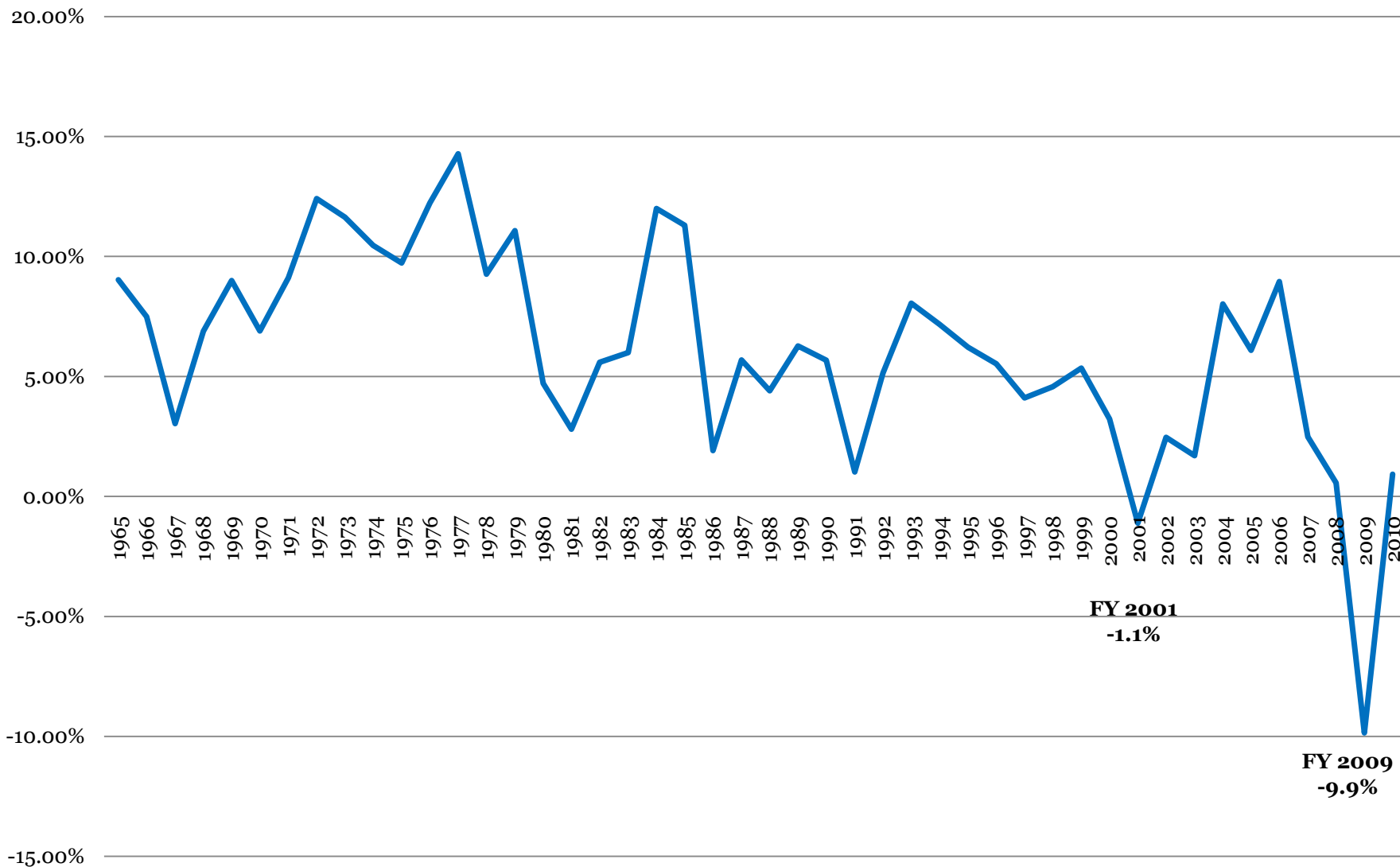
- Economic Downturn
- National Unemployment
 - Highest level – 10.1%
 - January 2011 – 9.0%
- Alabama's Unemployment
 - Highest level – 11.1%
 - December 2010 – 9.1%

Income Tax Gross Receipts Annual Percentage Change Over Prior Year



Sales Tax Gross Receipts

Annual Percentage Change Over Prior Year



Condition of the Education Trust Fund

Fiscal Years 2008, 2009, and 2010

	FY 2008	FY 2009	FY 2010
TOTAL BEGINNING BALANCE	280,045,027		
Receipts	5,975,258,156	5,241,600,057	5,217,470,126
Transfer from Rainy Day Account/Proration Prevention Account	439,372,515	437,520,418	
TOTAL RECEIPTS	6,414,630,671	5,679,120,475	5,217,470,126
TOTAL AVAILABLE (beginning balance plus total receipts)	6,694,675,698	5,679,120,475	5,217,470,126
TOTAL EXPENDITURES AFTER REVERSIONS	6,694,675,698	5,679,120,475	5,205,697,025
ENDING BALANCE			11,773,101

Condition of the Education Trust Fund

Fiscal Years 2011 and 2012

(LFO Estimates)

	FY 2011	FY 2012
BEGINNING BALANCE	11,773,101	
LFO estimated regular revenues	5,297,597,313	5,484,000,000
DHR Food Stamp Reversion	18,600,000	
Estimated receipts from Kimberly Clark tax settlement	34,000,000	
Repayment from PSCA bond issue	32,302,687	
TOTAL ESTIMATED RECEIPTS	5,382,500,000	5,484,000,000
TOTAL FUNDS AVAILABLE	5,394,273,101	5,484,000,000
TOTAL APPROPRIATIONS AND OBLIGATIONS (as of December 31, 2010)	5,520,361,048	
ENDING BALANCE (Before reversions and other adjustments)	-126,087,947	

ARRA Funding in ETF: FY 2010 and FY 2011



	FY 2010	FY 2011	Total
State Fiscal Stabilization Funds	\$298.1M	\$298.1M	\$596.2M
Title I/IDEA Funds	\$203.6M	\$ 203.6M	\$407.2M
Total	\$501.7M	\$ 501.7M	\$1.0B

Education Jobs Funds In Alabama



- **Alabama received \$149.5 million from EJF**
 - Local Educational Agencies (LEAs) must use funds by September 30, 2012
 - Funding must be used only for “compensation and benefits and other expenses” necessary to retain existing employees, to recall or rehire former employees, and to hire new employees
 - Systems will receive \$3,079 per state-funded teacher unit, based on FY 2011 units

Education Trust Fund: FY 2012 Shortfall



LFO Estimates	\$36.4 million
Loss of ARRA Funds	501.7 million
Loss of Education Jobs Fund	149.5 million
Total Shortfall	\$687.6 million

Condition of the State General Fund

Fiscal Years 2008, 2009, and 2010

	FY 2008	FY 2009	FY 2010
BEGINNING BALANCE (excluding Medicaid carryover in FY 2010)	239,088,035	218,986,877	105,430,816
TOTAL RECEIPTS ^{1,2,3}	1,814,312,603	1,602,571,656	1,428,088,535
TOTAL AVAILABLE (beginning balance plus total receipts)	2,053,400,638	1,821,558,533	1,533,519,351
TOTAL EXPENDITURES AFTER REVERSIONS	1,834,413,761	1,716,127,717	1,473,417,645
TOTAL ENDING BALANCE	218,986,877	105,430,816	60,101,706
1) FY 2008 receipts include one-time receipts of \$117,267,060 in capital gains from the Alabama Trust Fund; \$85,750,235 from the settlement of the Exxon lawsuit; \$17,023,881 from Department of Corrections asset sales; \$19,000,000 transferred from the Business Privilege Tax Escrow Fund; \$15,000,000 in additional unclaimed property receipts; \$4,746,080 from pharmaceutical settlement; and \$12,237,060 transferred from tobacco settlement revenues.			
2) FY 2009 receipts include one-time receipts of \$38,800,000 transferred from the Incentives Financing Authority; \$108,000,000 transferred from the Business Privilege Tax Escrow Fund; \$52,034,871 from pharmaceutical settlements; \$437,500 from a court order for the 5th Circuit DA; and \$14,025,410 transferred from tobacco settlement revenues.			
3) FY 2010 receipts include \$161,565,874 transferred from Rainy Day Account.			

Condition of the State General Fund

Fiscal Years 2011 and 2012

(LFO Estimates)

	FY 2011	FY 2012
BEGINNING BALANCE (excluding Medicaid carryover)	60,101,706	
Regular Receipts	1,274,960,000	1,288,740,000
Regular and Other Transfers	9,823,000	4,500,000
Transfer from tobacco revenues	12,800,000	
One-time revenues ^{1,2}	153,091,288	30,000,000
TOTAL RECEIPTS	1,450,674,288	1,323,240,000
TOTAL AVAILABLE (beginning balance plus total receipts)	1,510,775,994	1,323,240,000
Appropriations as of December 31, 2010	1,588,528,259	
Additions:		
Reappropriation of Reversions	54,045,537	
TOTAL APPROPRIATIONS AND OBLIGATIONS	1,642,573,796	
TOTAL ENDING BALANCE	-131,797,802	

1) FY 2011 includes \$56,091,288 expected from capital gains in the Alabama Trust Fund; \$10,000,000 transferred from the Insurance Guaranty Fund; \$72,000,000 from the Business Privilege Tax Escrow Fund; and \$15,000,000 in additional abandoned property receipts.

2) FY 2012 includes \$30,000,000 in additional abandoned property receipts.

Effect of Federal Stimulus Funds and State Fiscal Stabilization Funds on State General Fund Expenditures

	FY 2008	FY 2009	FY 2010	FY 2011	Projected FY 2012
Total State General Fund appropriations	1,834,413,761	1,716,127,717	1,473,417,645	1,642,573,796	1,323,240,000
Federal stimulus funds used to replace SGF dollars					
Medicaid FMAP		290,734,130	322,653,180	193,995,226	
Other agencies with Medicaid FMAP		63,349,618	72,219,688	40,865,822	
Corrections - Fiscal Stabilization Funds			118,586,000		
Departmental Emergency Fund - Fiscal Stabilization Funds			14,100,000		
Total federal stimulus funds used		354,083,748	527,558,868	234,861,048	
Total SGF plus federal stimulus	1,834,413,761	2,070,211,465	2,000,976,513	1,877,434,844	1,323,240,000
Appropriations for FY 2011 are as of December 31, 2010.					

State General Fund: FY 2012 Shortfall



LFO Estimates	\$319.3 million
Loss of federal enhanced Medicaid	\$234.9 million
Total Shortfall	\$554.2 million

Alabama Trust Fund (ATF)



- Created as a depository for offshore oil and gas leases and royalty payments
- September 2008 assets - \$3.2 billion
- September 2010 assets - \$2.5 billion
- Assets are held in perpetual trust

Alabama Capital Improvement Trust Fund (ACITF)



- Amendment 666 – ratified in 2000 and funded with 28% of prior year ATF royalties
 - \$702.3 million deposited into the ACITF
- Bond Commission
 - Authority to issue up to \$350 million in economic development bonds
 - ✦ Constitutional amendment ratified in June 2007 increased bond authority to \$750 million
 - \$720 million in bonds issued
 - \$30 million remaining

Alabama Capital Improvement Trust Fund

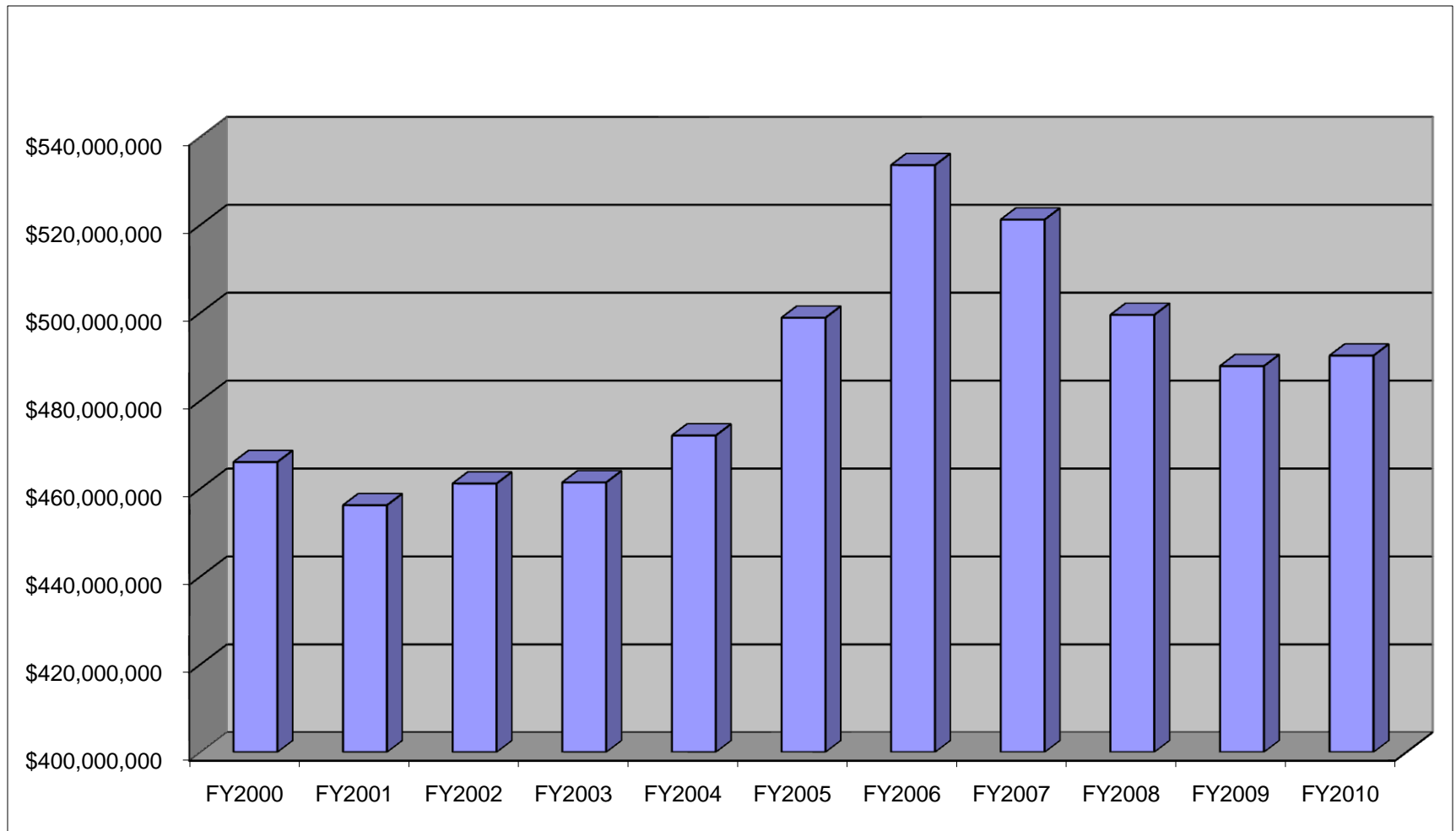
(Amounts in Millions)



	FY 2009	FY 2010	FY 2011
Beginning Balance	\$18.1	\$19.8	\$5.3
Royalty Revenues	96.7	49.3	34.4
Total Expenditures*	95.0	63.8	35.6
General Fund Relief	24.4	17.6	0
Ending Balance	\$19.8	\$5.3	\$4.1

***Includes General Fund Relief**

Public Road and Bridge Fund Receipts



Tobacco Settlement Revenues



- 1998 Master Settlement Agreement (MSA)
- Alabama has received \$1.2 billion through FY 2010
- Three conditions under which participating manufacturers could reduce amount of payments to states
 - If market share falls more than 2%
 - If settlement agreement was significant factor in market share loss
 - Finding that a state or states did not “diligently enforce” statutes requiring non-participating manufacturers to create escrow accounts

FY 2011 Tobacco Settlement Appropriations



Children First Trust Fund (CFTF):	FY 2011
Public Health	\$5,541,480
Human Resources	11,082,960
Child Abuse and Neglect Prevention	3,004,489
State Multiple Needs Children's Fund	3,448,540
Mental Health/Mental Retardation	2,770,740
Juvenile Probation Services Fund	5,541,480
Youth Services	9,420,516
Alabama Medicaid	1,939,519
All Other	1,613,250
Total CFTF Appropriation	\$44,362,974

Other Tobacco Revenue:	FY 2011
Children's Affairs Administration	\$250,000
Alabama 21st Century Fund	13,000,000
Senior Services Trust Fund	1,583,280
Medicaid Trust Fund	33,248,880
Senior Services - Medicaid Waiver	2,374,920
Total Other Appropriation	\$50,457,080

State General Fund Transfer	\$10,718,511
Grand Total	\$105,538,565

Gulf of Mexico Energy Security Act (GOMESA)



- Opened over 8 million acres of deepwater areas in Gulf of Mexico for energy production and sends 37.5% of federal royalties to Alabama, Louisiana, Mississippi, and Texas
- States receive funds three ways
 - Bonus bid
 - Annual rent payments
 - Royalties

Coastal Impact Assistance Program Fund (CIAP)



- Energy Policy Act of 2005
- Authorized appropriation of \$250 million annually for fiscal years 2007 through 2010
 - Distribution determined by percentage of revenues generated from leases
- FY 2007 and FY 2008 allocation - \$51.1 million
 - \$17.9 million to Baldwin and Mobile Counties
- FY 2009 and FY 2010 allocation - \$39.4 million
 - \$13.8 million to Baldwin and Mobile Counties
- Funds administered by Department of Conservation's Land Division

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